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Market Brief - Product

Slovenia: Exporting to Certain Retail Chains

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Vienna [AU1], AU

Slovenia: Exporting to Certain Retail Chains

Summary

Except for Spar, the large Slovenian super and hypermarket chains belong to local shareholders. Spar has been cooperating and in the future Emona Merkur will cooperate in regards to whole purchases with Mercator. The other mentioned food chains have in addition to the retail trade a wholesale business, which supplies the own and other company shops. Mercator is by far the largest food retail and wholesale company. Local and EU products dominate the market. U.S. products encountered in Slovenian shops are usually those produced in other European countries and whiskey. So far, direct imports from the U.S. are more or less limited to whiskey. Nevertheless, traders interested in selling to Slovenian food chains should offer their products to the corresponding head purchasers. Foods entering the Slovenian market must be approved by an official food testing institute.

A. General

Slovenia is a small country with a population of 2 million. This previously socialist country has a relatively fast growing economy, and the purchasing power of the population is quickly improving.

Outlet Structure

The country has a large number of small mom-and-pop shops but in recent years many modern supermarkets and several hypermarkets in shopping centers were constructed. As in western countries, there is a considerable concentration on the retail market sector. The strength of the small shops of being open on holidays was lost when the large markets expanded opening hours to these days. This has accelerated the decline of small shops. However, due to the large number of small cities and villages, it is expected that a significant number of small shops will remain.

In 2000, Leclerc will begin to open shops in Slovenia. The large French company will be a great competitor to generally small domestic firms and thus will further accelerate concentration.

EU Accession

As Slovenia is eager to become an EU member as soon as possible, it has been working to harmonize its food and veterinary regulations with EU requirements. Although the actual accession is not expected before 2005, trade borders with EU are expected to drop as of 2001. This means that by then, EU products will be able to enter the Slovenian market duty-free and U.S. products entering the Slovenian market will face the same tariffs as when entering the EU market.

U.S. Products

A great problem with U.S. foods is the long transportation distance and the relatively small quantities required, which results in higher costs and consequently higher product prices. Retailers are interested in U.S. products, however. Head purchasers would welcome storage or a warehouse in Koper, a large and well organized Slovenian port, where Slovenian, Croatian, Bosnian, Macedonian, Italian, and Austrian traders could buy various American products in smaller quantities.

As U.S. products are more or less unknown in Slovenia, intensive market preparation is required. However, the Croatian market could in one way or the other participate in such activities. In addition, since Slovenian food chains are expanding into the Croatian market, promotional investments in the Slovenian market should have an impact on sales in Croatia.

The supermarket chain Merkator is by far the largest food importer and retailer. Due to the recent acquisition of Emona Merkur, Merkator's market share is expected to rise to at least 35%. If a U.S. exporter succeeds in establishing trade relations with Merkator, relatively large exports should be possible. As Merkator is expanding to other ex-Yugoslav countries, exports to this company should be even more advantageous in the long term.

Among U.S. products with good opportunities on the Slovenian market are cranberries, cranberry juice, almonds, pecans, peanuts, pistachios, dried fruits, cereals, rice, fruit and cereal bars, chewing gum, high quality beef when veterinary problems are solved, and some seafood. However, other products can also find a market if the quality and price are competitive and if the exporter is willing to ship small quantities.

The main competitors for U.S. exporters are EU countries, particularly Italy and Germany.

Whiskey

In practically all hypermarkets and larger supermarkets, U.S. whiskey is available, usually the more famous brands which are also offered in duty free shops. Demand for whiskey in Slovenia is small. Practically all whiskey sold in Slovenia is imported by two wholesalers. For additional whiskey importers the market is regarded as too small.

Customs Tariffs

Customs rates are defined according to the following principles: 5 - 8% for raw materials, 10 - 15% for semi-finished products, and 15 - 25% for finished products.

Food Registration

Food products entering the Slovenian market have to be registered. Registration is carried out by official testing institutes which need for this purpose a sample and documents on the composition of the food product. Interested importers usually initiate registration, which takes two weeks to two months.

Labeling Requirements

The following information has to be given in the Slovenian language on the package:

Name of product

Address of Importer

Net quantity (weight or volume) in metric measures

Ingredients

Use and storage instructions

Food Trends

In the past, Slovenians had very conservative eating habits. However, after independence, a wide variety of new products flooded the Slovenian market. There is now a distinct trend toward convenience food, be it frozen, semi-processed or fully processed. In addition, consumption of fast food is growing quickly.

The urban population has become more health and nutrition conscious. Thus, a large share of the population tries to avoid food with artificial flavors and chemical preservation. However, genetically modified products in foods play no role so far.

Organic food is still little known but is gaining popularity. It is only available in small specialty shops but not in supermarkets as in western European countries.

B. Food Chains

1. Emona Blagovni Center

Company Description

In the frame work of privatization, the previously state owned large trading company Emona was split into two companies of which Emona Blagovni Center is one. Emona Blagovni Center is a pure Slovenian company; 49% of its shares are owned by employees but the majority share is still in Government hands. The company has five supermarkets in Ljubljana and one in Trbole. In addition, it owns a large warehouse of 20,000 square meters and a cold storage facility of 5,000 square meter.

Emona Blagovni Center trades in all kinds of foods and non-foods available in supermarkets. It is a general importer of various foods, produces canned vegetables in cooperation with an other Slovenian firm, and produces its own diabetic and slimness foods. In addition, it produces a vitamin-enriched beverage for skin tanning and packs imported spices. Coffee and tea are roasted in their own plant and sold under their brand name.

The firm's total turnover in the retail sector is SIT 1.5 billion (U.S.\$ 9 million) and in the wholesale

sector SIT 1.7 billion (U.S.\$ 10 million). The assortment comprises 4,000 articles of which 150 are imported and 150 self-produced.

Purchasing

Emona Blagovni Center carries out direct imports and buys from local wholesalers and producers. However, it also sells to other wholesalers and retail chains. Most of the imports come from EU countries, particularly Italy (biscuits and stewed fruits), Germany (cornflakes, petfood), Spain (seafood and seafood pate, fruit juices, and jams), England (Cadbury chocolate and candies). As purchased quantities of single products are small, usually a truck starting in Spain collects the commodities at various firms on its way to Ljubljana.

The purchase decision is made by Mr. Jernej Korencic, deputy general manager and head of the purchasing section. Thus, U.S. exporters interested in establishing trade relations with Emona Blagovni Center should contact him at the following address:

Emona Blagovni Center
Smartinska 130
61001 Ljubljana
Slovenia

Phone: +386 (61) 140 10 44

Fax: +386 (61) 441 971

Promotion

The company advertises in magazines and distributes bi-monthly a leaflet which has a circulation of 15,000. The price per advertisement and product is SIT 25,000 (U.S.\$ 142).

U.S. Products

The only U.S. products on the shelves of Emona Blagovni Center are Heinz catchup and whisky. According to the head purchaser, this catchup is of excellent quality and the price is not too high. Nevertheless, sales are small because the product is fairly unknown in Slovenia. A promotion campaign would cost at least SIT 1.5 million (U.S.\$ 9,000). Some whisky is sold which is acquired from one of the local importers.

The head purchaser believes that certain kinds of U.S. marshmallows and cookies have opportunities in the Slovenian market.

2. Spar

Company Description

Spar is a shareholding company belonging 80% to Spar Austria (headquartered in Salzburg) and to one fifth the Slovenian firm Mercator.

At present, Spar has 10 supermarkets with a sales area of 400 - 1,500 square meters and three hypermarkets (Spar's hypermarkets are called Interspar) of 4,300 - 4,800 square meters. The latter are located in Ljubljana (two) and in Celje (one). Spar intends to expand considerably, particularly with larger shops. By the end of 1999, the construction of two new supermarkets of 1,500 square meter sales area will be completed and by 2001 a further five will go into operation. In the hypermarket sector a 6,000 square meter shop will be opened in Maribor in fall 1999. In 2001, an 8,000 square meter shop will be opened in Ljubljana after an old hypermarket is closed in the same city. By 2005, Spar expects to have 20 - 50 supermarkets and 6 - 7 hypermarkets.

Interspar's assortment includes 12,000 articles of which 8,000 are foods whereas Spar's assortment includes 8,000 articles of which 5,000 are foods. About half of all products are imported.

The 1998 turnover was SIT 20 billion (U.S. dollar 114 million); in 1999 a turnover of SIT 25 - 26 billion (U.S. dollar 142 million) and in 2000 an increase of 25 - 30% is expected.

Purchasing

Spar and Mercator cooperate concerning purchasing within the country. Mercator concludes supply contracts with Slovenian producers/traders and provides 45% of the supermarkets (Spar) and 30% of the hypermarket (Interspar) needs. The rest is acquired from other local wholesalers. Direct imports are limited to private labels from Italy and Austria (Rauch fruit juices, Ankerbrot bakery products, etc.) There are no plans to get more involved in importing in the future. All purchases for Slovenian Spar/Interspar outlets are made centrally but independent from the mother company. Only occasionally do Spar Slovenia and Spar Austria buy together.

U.S. traders who wish to sell products to Spar/Interspar in Slovenia should contact the food purchasing manager at the following address:

Mr. Luka Stritar
Spar Slovenia
Smartinska 152 G
1000 Ljubljana
Slovenia

Phone: +386 (61) 184 44 75 or
+386 (61) 184 44 00
Fax: +386 (61) 184 44 02

Promotion

Spar Slovenia advertises products in radio, various newspapers, magazines, and distributes biweekly leaflets which have a circulation of 400,000. An advertisement in the flyer costs around SIT 70,000 (U.S.\$ 400) per product and circulation. Beginning in 2000, TV spots will be broadcast.

So far, only national weeks with Germany have been carried out. However, in the future, when more U.S. products are available, U.S. weeks are so intended in cooperation with the agricultural office of the U.S. Embassy in Vienna. Such promotions can be carried out efficiently in Interspar shops which include restaurants.

U.S. Products

Spar's and Interspar's product line includes various American brands produced or packed in Europe. So far the only imported U.S. products are some whiskey brands purchased from local wholesalers. However, the company is interested in several U.S. articles encountered during visits to U.S. food shows. According to the head purchaser, popcorn, dressings, Tex-Mex food, bagels, dried fruits, almonds, and California wines should find a market in Slovenia.

3. Mercator

Company Description

The large holding company Poslovni sistem Mercator, d.d. includes five trading companies, six industrial companies, three agricultural companies, two hotels, and one service company. Around 35% of the shares belong to individuals, 25% to legal entities, 15% to the capital fund PDI, 14% to authorized investment companies, and 11% to the Slovenian Compensation fund. There are about 29,000 share holders.

The five Mercator trading companies possess around 1,000 shops of which six are hypermarkets with a sales area of 3,200 square meter, 200 supermarkets with a sales area of 500 - 1,000 square meter, and the rest are speciality shops and non-food shops. The annual turnover is about SIT 200 billion (U.S.\$ 1.1 billion) of which 70% account for foods. With a market share of 30%, Mercator is the largest Slovenian retail chain.

The article assortment includes 42,000 products of which 75% are foods. About 25% of foods are

imported; half is imported by Mercator and the rest purchased from other wholesalers or producers. The main import source are EU countries (80%), particularly Italy, followed by Germany.

In hypermarkets, a shelf fee of SIT 3 - 10 million (U.S. dollar 17,000 - 57,000) per producer company has to be paid. However, for products sold only in supermarkets, Mercator does not demand a shelf fee so far.

Mercator is not only a large retailer but also a strong wholesaler which supplies traders all over the country. More than half of wholesale sales go to non-Mercator traders. In addition, the company owns storages and cold storages spread over the country. Furthermore, Mercator farms, meat processing plants, fruit and vegetable canning plants, bakeries, a pastry production, and a vegetable oil plant supply Mercator outlets and other company shops.

The company plans the construction of additional five hypermarkets in Slovenia. Construction begin will be 2000. In addition, two hypermarkets will be build in Zagreb, Croatia and one in Sarajevo, Bosnia-Herzegovina.

Purchasing

Purchasing is carried out centrally for all Mercator shops.

There are category managers for product groups but offers from U.S. companies should be directed to the import-export manager Ms. Metka Nedelko at the following address

Merkator, d.d.
Dunajska c. 107.p.p.3234
1001 Ljubljana
Slovenia

Phone: +386 (61) 160 12 64

Fax: +386 (61) 168 22 33

Promotion

As it can be expected for a big company like Mercator, great emphasis is put on promotions. Advertising is carried out in newspapers, magazines, radio, and television. In addition, various leaflets are distributed with differing circulations. Many leaflets are connected with sale programs. At present, an advertisement in leaflets costs about SIT 100,000 (U.S. dollar 180) per product but it is intended to raise the price. Each month, 6 products are on sale during a period of two weeks. In addition, certain products are sold with a 25% price reduction during a period of at least six months.

In-store promotions are relatively frequent. However, there are no national weeks but "producer weeks". For instance, a company offers consumers its products and samples for tasting during a whole

week. Costs are borne by the producer company.

In 1999 Mercator turns 50 years old. On this occasion, 50 producers offer their products at a 50% discount.

U.S. Products

Merkator does not import directly from the U.S. because they hardly can fill a container. However, they buy some U.S. products in smaller quantities from traders in Germany and Netherlands. Whiskey is bought from local wholesalers. In addition, they offer American products made or packed in Europe such as products of Kraft Suchard, Philadelphia, Proctor and Gamble, Wrigley, Uncle Ben's, Red Bull, etc.

4. Zivila Kranj

Company Description

Zivila Kranj is a shareholding company. More than 50% of the shares are in the hands of employees and the rest belongs to banks and the state. The firm owns 70 retail outlets with a sales area of 200 - 3,500 square meter. Four shops are larger than 1,000 square meter. In addition, the company is involved in wholesale and in the gastronomy business. It has several warehouses, the main one of which is in Naklo. The annual turnover of their trading business is SIT 20 billion (U.S. dollar 114 million) of which 90% is food. Zivila Kranj's share of the food retail market is somewhat above 6%. Its wholesale includes an assortment of 12,000, and its retail trade 5,000 - 18,000 products. The company's wholesale business supplies own outlets and other companies.

In the near future no expansion is intended due to lack of capital caused by last year's considerable expansion. The number of small shops will be reduced, which however will not result in a noticeable turnover decline.

Purchasing

Purchasing is carried out centrally for all Zivila Kranj shops. U.S. companies interested in establishing business relations with this company should contact the head purchaser at the following address:

Zivila Kranj
Attn: Franc Markelj
Cesta na Okroglo 3
4202 Naklo

Phone: +386 (64) 471 122

Fax: +386 (64) 471 238

Promotion

Zivila Kranj advertises in radio, newspapers, magazines and distributes a folder.

U.S. Products

Except whiskey and some products produced or packed in Europe, Zivila Kranj has no U.S. products on its shelves. The problem is the small volumes required by the company. At present, the head purchaser sees good market opportunities for U.S. power bars (cereal-fruit bars enriched with vitamins) intended for athletes. If he can interest other retail chains to achieve the necessary volume, he will import this product.

5. Emona Merkur

Company Description

Emona Merkur is a shareholding company with 70 outlets, of which five are hypermarkets (1,500 square meter each), five supermarkets (600 square meter each), and the rest are traditional larger and smaller shops. Most of the shops are in the Ljubljana area. Thus, roughly 70% of the turnover is made in the capital. The market share is about 5.5%. The company has no wholesale business supplying other than Emona Merkur shops. The food assortment comprises 14,000 articles. About 30 - 35% of all products are imported, predominantly from EU countries. In Ljubljana there is a warehouse for products imported by Emona Merkur. Other products are permanently delivered by wholesalers.

In mid September 1999, Slovenia's largest food company, Mercator, bought more than 50% of Emona Merkur's shares. The other shares are still in the possession of employees and the government. Since Mercator has the controlling interest, a large share of the purchases will be made through this firm. The long term outlook for Emona Merkur is unknown but for the next three years the company will keep its name. With the strong partner Mercator, turnover is expected to rise although the number of small shops will be reduced.

Purchasing

All long shelf life products are centrally purchased but fresh products are bought by the individual shops. Offers of U.S. exporters should be directed to the head purchaser at the following address:

Emona Merkur
Attn: Bojan Kadunc
Smartinska 130
61001 Ljubljana
Slovenia

Phone: +386 (61) 443 646

Fax: +386 (61) 442 903

After some time, imports may be carried out through Merkator.

Promotion

Advertising is made in television, radio, magazines, and a monthly leaflet. Additional flyers are issued with special sales carried out one to three times per month. National weeks are periodically organized. If the company had more U.S. products, it would also carry out U.S. weeks. The head purchaser believes that if a new product were put on the market, a series of expensive television, radio, magazine, and leaflet promotions would be necessary.

U.S. Products

Except for whiskey and foods coming from European producers, no U.S. products are in the company's product line.